THE DISTRIBUTION OF PROPERTY TAXES BETWEEN CITY AND COUNTRY. I.

I.

IS the American farmer overtaxed? This question has usually been answered in the affirmative by impartial students of the subject, as well as by the farmers themselves; but, on the other hand, complaint is frequently made, especially by metropolitan newspapers, that too much of the burden of taxation is being thrown upon the cities. From New York to San Francisco, in editorial articles and otherwise, it is made to appear that the chief work of state boards of equalization consists in transferring to the cities taxes which ought to be paid by the country districts. Even in Philadelphia and Baltimore, where there are no state boards of equalization, complaints are made that in the distribution of the school fund part of the burden of supporting the country schools is shifted to the shoulders of city taxpayers.[1] A similar condition, too, is found to exist in New Jersey, where Essex County, including Newark and several smaller cities, helps to support the schools in some of the rural counties.[2]

The efforts of state and county boards of equalization, which exist in more than half the commonwealths, might be expected to prevent injustice as between city and country, if equalization were an exact science; but it is not. Nowhere else is so elaborate an apparatus provided for distributing the burden of the state property tax as in the state of New York; yet it is there that the complaints of injustice are loudest. For many years New York has had a board of state assessors, charged with the duty of investigating the relations between values and assess-

[1] Philadelphia *Public Ledger*, Sept. 10, 1897, and Sept. 16, 1898; First Annual Report of the Bureau of Industrial Statistics of Maryland, pp. 109, 110.

[2] Reports of the State Board of Taxation: 1896, p. 110; 1897, p. 73.

ments in the various counties, and forming part of the state board of equalization. When the tax laws were codified in 1896, the state assessors were renamed the state board of tax commissioners and were endowed with somewhat more effective powers than before. These commissioners are required to visit every county in the state at least once in two years, to inquire into the methods of assessment and to ascertain whether the local assessors discharge their duties faithfully, especially as to the assessment of property at its full value as required by law. They also sit annually with certain other state officials as the board of equalization, to adjust the county assessments of real estate on the basis of the information obtained. An estimate having been made for each county as to the percentage of true value represented by the assessment, the latter is increased to the estimated true value, an average percentage is then found for the state, and the true values are all multiplied by this fraction. Thus, the aggregate assessment remains the same as before, but the various counties have their assessments raised or lowered, according as they were found to be below or above the average. Equalization between the towns of the several counties is attended to either by the county boards of supervisors or by commissioners of equalization appointed by them; but every town, city and ward has the right of appeal to the state board of tax commissioners.

It is the practice of the board of equalization to increase the assessment of New York County, and to reduce the assessments of most of the other counties in the state. The equalization table of 1897, for example, added $88,988,103 to New York City's assessment, which had been estimated to be 63 per cent of the true value of taxable real estate in the city, as compared with a little more than 66 per cent for the state as a whole. The board of taxes and assessments of New York City was so dissatisfied with this arrangement that it undertook an independent investigation into the assessments in various parts of the state; and last July it announced its results for eighteen counties which had been credited with relatively high assessments, averaging 78.4 per cent. According to the city board, the high

percentages assigned to these counties were incorrect, and the true average was only 45.5 per cent, no county in the list being entitled to a higher percentage than 57. The method of investigation was not divulged, and no revised estimate was made for New York City itself, but a reduction instead of an increase was demanded for that city in the equalization of 1898.

To this statement the state board of tax commissioners replied at some length in its report to the state board of equalization in September. The statement was declared to be "grotesquely and preposterously absurd," and "made in such absolute ignorance of existing facts as to render it utterly valueless." In several instances the original estimates were shown to be supported, or more than supported, by evidence submitted by county authorities. Thus, in Albany County, where the assessment was 78 per cent of the true value according to the state board, but only 49 per cent according to the city board, the county supervisors claimed a ratio of at least 85 per cent, and submitted several instances of property in the city of Albany which had been sold or offered for sale at less than the assessed valuation. Columbia County, credited with 72 per cent by the state board and 53 per cent by the city board, submitted a long list of sales showing an average assessment of over 84 per cent of the selling value. In Dutchess County, credited with 71 per cent by the state board and 55 per cent by the city board, a complete list of *bona fide* sales for which the consideration could be ascertained showed an average assessment in 1897 of more than 85 per cent. In Monroe County, credited with only 45 per cent by the city board, a hotly contested appeal from the county equalization brought out testimony showing that the state board's estimate of 70 per cent was too low instead of too high. In the case of Montgomery County, evidence submitted under similar circumstances seemed to support the state board's estimate of 70 per cent, rather than the city board's estimate of 39 per cent. Onondaga County, credited with 85 per cent by the state board and 47 per cent by the city board, presented a long list of sales to show that even the former estimate was too low. Oswego

County, credited by the state board with 71 per cent and by the city board with 40 per cent, submitted a list of more than 360 sales, certified to contain practically every sale between a willing seller and a willing buyer within two years, which showed an average assessment four per cent above the selling value.

The state board also ventured to make an estimate for New York County, or the former city of New York, based upon real estate deeds, appraisals by real estate brokers, sales at auction, mortgage loans, building permits, private inquiries, *etc.*, and it reached the conclusion that real estate in that county was assessed at about one-half its true value. Yet, to avoid any possibility of injustice to that county, as the board explained, it was credited for the purpose of equalization with 63 per cent, or the same percentage as for several years past. In conclusion, the board declared its conviction that, if the equalization table of 1898 worked any injustice as between New York County and the rest of the state, New York County was not the sufferer.[1]

Although New York's percentage was allowed to remain at the old figure, an increase in the average made the amount to be added to New York County's assessment $188,753,109, or nearly one hundred million dollars more than was added in 1897. This may also be taken as approximately the amount added to Greater New York as a whole, for the sums added to the boroughs of Brooklyn and Richmond are nearly counterbalanced by a deduction in the case of Queens. The total assessment of real and personal property in Greater New York, as made before consolidation but equalized in 1898, is about $2,985,000,000. The amount cannot be stated exactly, because one of the towns of Queens County is cut in two by the new metropolitan boundary line. The corresponding figure for the entire state is $4,898,611,019.

The data on which the percentage assigned to New York County is based are explained in the report of the state board of tax commissioners for the year 1897.[2] Numerous inquiries

[1] Annual Report of the State Board of Tax Commissioners, 1898, pp. 17–24.
[2] *Ibid.*, 1897, pp. 21–26.

were addressed to real estate brokers, to lawyers and to others familiar with prices of real estate; and in reply the board was

repeatedly assured that, while in a great majority of cases real estate was assessed in that city at about 60 per cent of its full market value, yet in many cases of large holdings by wealthy estates and large corporations, the average of assessment would not exceed 40 per cent.

Ex-Controller Fitch is quoted as saying that in some cases the assessments were as low as 30 per cent of the prices paid for the property when bought for municipal purposes. The increase of assessments since 1880 is shown to be very much less than the estimated cost of new buildings during the same period, as shown by the records of the department of buildings; and also very much less, proportionately, than the corresponding increase in the other principal counties of the state. From 1874 to 1897 the equalized valuation of real estate in New York County increased only 124 per cent as compared with an average of 136.8 per cent for the other counties of the state.

In reply to repeated criticisms, the chairman of the board has made public, more in detail, the basis of the estimate of 1898, and has succeeded in making out a strong case.[1] The board had 390 pieces of real estate in New York County appraised by real estate brokers. On 200 pieces appraised by one broker the assessment averaged only 51.3 per cent of the appraisals; and on the other 190, appraised independently by another broker, the assessments were 50.5 per cent of the appraised values. This property had all changed hands within a year, and the assessments were only 49.5 per cent of the expressed considerations.

In the mind of one not a resident of Manhattan or the Bronx the question naturally arises: Is not the board, in avoiding the possibility of injustice to the city by so wide a margin, doing injustice to the rest of the state? In the case of other counties the board more often puts the percentage below than above what the sale prices show. Has not the effectiveness of public opinion in the metropolis more than counterbalanced the lack of direct representation on the state board of tax commissioners?

[1] *New York Tribune*, September 19, 1898.

This controversy between city and country in the state of New York is no new thing. As long ago as 1873 the state assessors undertook to find out the truth of the matter and reported as follows:

> Until we entered upon this investigation we were of the opinion that the valuation of real estate in the country was very much less than it ought to be when compared with the valuation of cities, but the testimony of supervisors and assessors representing both city and country, confirmed by the opinions of a large number of intelligent gentlemen in different districts, compels us to change our views, and we are forced to the conclusion that the real estate of the country, with here and there an exception, bears its full proportion of the tax imposed for state purposes. . . . If residents of cities who think themselves oppressed by the country in this matter of taxation, will go over the state and take full notes of life and labor there, they will doubtless change their opinions.

And in a recent report[1] the state board of tax commissioners said:

> If this was true in 1873 it is much more emphatically so now, as in many rural counties of the state there has been depreciation in the value of agricultural lands, since that date, of 50 per cent, while in most of the cities the value of real estate has steadily increased.

In 1886 the New York City commissioners of taxes and assessments had lists of sales and assessments prepared for nearly all the counties in the state, and these showed a higher average assessment in New York City than in the country; but the lists seem to have been very incomplete, and many counties submitted lists of their own, showing very different results. The conclusion reached by the state assessors was that the lists furnished by New York City, and many of those submitted by the counties in reply, were "almost wholly worthless and unreliable"; and as if that were not enough, they were also said to be "alike unreliable, misleading and deceptive."[2]

From all this it is evident enough that both the process of equalization and the criticisms made upon the results are based largely upon guesswork. The state board of tax commissioners

[1] Annual Report, 1896, p. 10. [2] *Ibid.*, 1897, pp. 25, 26.

itself admits "the inadequacy of the information obtainable in a meeting of a few hours with officials of each county, upon which to base a reliable estimate of the actual percentage of assessment to real value." Complete lists of *bona fide* sales, showing the consideration and the assessed valuation of each piece of property, might be thought to supply a fairly trustworthy guide to equalization; but the lists of sales presented on behalf of some of the counties do not always purport to be complete, and they are always open to the suspicion attaching to *ex parte* statements. At all events, the commissioners, while relying very largely upon these lists, for some reason seem not to have the courage of their convictions sufficiently to abide strictly by the evidence of the figures; so that, notwithstanding the mass of statistical data submitted in evidence, the final decision is reached somewhat arbitrarily.

If equalization is based upon guesswork in New York, a more emphatic term is needed to describe the process in many of the other commonwealths, where the boards of equalization proceed more like legislative assemblies than like either statistical boards or judicial bodies. It is safe to say that nowhere is a more thorough and conscientious attempt made to compare the assessments of the various counties than in New York. The failure of the system there is due neither to inefficiency on the part of the officials nor to indifference on the part of the public, but to the simple impossibility of accomplishing the desired result. In other words, state equalization is necessarily a failure, wherever it is not a farce. If it is to be continued, the most logical and consistent procedure would be for the state officials to have complete lists of sales made for each county by their own clerks, showing the ratios between assessments and prices, and then to abide by the result; but it is much to be feared that the more the records are resorted to for this purpose, the less trustworthy will the stated considerations become. In a word, New York's elaborate and conscientious attempt to make equalization work serves only to show that it is not workable, and that state revenues must be derived from other sources than the property tax.

II.

Returning now to the farmer, for the purpose of ascertaining whether he is overtaxed in comparison with other classes, it is first necessary to find a measure of tax-paying ability which is itself capable of statistical measurement. Unfortunately, the farmer's income is an unknown quantity; for not only is it made up of rent, interest, earnings of management and wages, but it is received partly in money and partly in products consumed by the producer and his family, to say nothing of the rental value of the farmhouse. With our present knowledge it is impossible either to state the total income of the agricultural class, or to compare it with the capital employed in its production or with the income of other classes. Still less is it possible to measure the farmer's faculty, or power of production, which President Walker proposed as the ideal basis of taxation. Something of this kind has indeed been attempted by Professor C. S. Walker, who, for the purpose of comparison, resolves an hypothetical farmer's taxes into their cost in labor.[1] Assuming that the value of the average Massachusetts farmer's real estate, tools and stock is $4000 and that the average tax rate is $15 a thousand, he finds that the farmer's taxes amount to $60 a year, or the equivalent of interest on his capital at five per cent and farm wages at $300 a year for forty-three days; while the owner of a mortgage for $4000 on another's farm would in Massachusetts pay nothing but a poll tax of two dollars, equivalent to the wages of two days, or at factory rates even less. This is certainly an interesting contrast between the money-lender and the man whose capital is invested in his own farm, and perhaps it would not need to be very materially modified to adapt it to a commonwealth which tries to tax the holders of mortgages; but the reduction of taxes to labor cost really helps the comparison but little, and if applied to statistical aggregates instead of to typical cases, it would only complicate the problem.

For lack of a better available basis of comparison, therefore,

[1] "The Massachusetts Farmer and Taxation," *Yale Review*, VI, 64 (May, 1897).

it is necessary to take as our measure of tax-paying ability the only one which most of the commonwealths legally recognize as such. Accumulated property, whether or not we may regard it as a satisfactory measure of ability, is the only element of well-being which can be compared with the taxes paid with any approximation to accuracy. Even this comparison cannot be made strictly between farm owners and all other property owners; for, while the value of agricultural property is given separately in national and state census reports, there is no means of ascertaining the amount of taxes paid on such property. The only practicable method is to make the comparison between urban and rural districts, or at best between city real estate and acre property, thereby approximating as nearly as possible to a comparison between the agricultural and other interests. The dividing line between urban and rural communities must, of course, be fixed somewhat arbitrarily; but, following the custom of the census office, let it be fixed at a population of 8000. Of course there are many men besides farmers in villages of less than that number of inhabitants; but the census figures show that, setting aside places of more than 8000 inhabitants, the remainder of the country is predominantly agricultural, more than half the families living on farms.[1] Villages composed mainly of farmers and persons living wholly or partly by market-gardening, fruit-growing, dairying, poultry-raising and the like, together with their families and the shopkeepers and professional men necessary for their convenience, ought obviously to be classed as rural communities. It is a fair inference from the census figures that most places of less than 8000 inhabitants are of this description; and it is a matter of common observation that the agricultural population is coming to live more and more in villages instead of in complete isolation. Over against the non-agricultural population of rural villages and mining camps must be set nearly 28,000 families living on farms within the limits of towns of more than 8000 inhabitants,[2]

[1] Report on Farms and Homes: Proprietorship and Indebtedness, p. 34.

[2] *Ibid.*, pp. 29, 30.

besides an uncounted number of townspeople who cultivate small gardens and orchards, or engage in other pastoral employments.

It may be assumed for the purpose of this comparison that the taxes paid by various communities are proportional to the assessments; for, while local tax rates vary with local expenditures, we are now concerned only with the distribution of those taxes which affect both city and country. Reduced to its simplest terms, therefore, the problem is simply to ascertain the relations between assessments and true values in urban and in rural taxing districts. Even this is by no means an easy problem; but it happens that some of the materials needed for its solution are to be found in certain state documents and in various other out-of-the-way places. The state boards of equalization, whose business it is to know these relations, generally avoid any approach to a statistical method of inquiry, and are curiously reticent as to what their methods and sources of information really are; but taxation has recently become a favorite subject of investigation by state labor bureaus, several of which have issued reports which deserve a place beside those of the commissions specially created to study the subject, and which serve at least to show that the distribution of taxation is a statistical problem.

One of the most extensive and most valuable of these comparisons between assessments and true values, as well as one of the earliest of those which have any real value, was made under the auspices of a voluntary association — the Pennsylvania Tax Conference. The question between city and country had been raised in Pennsylvania, but not very conclusively answered, by the official Revenue Commission of 1890–91; for, while the majority of the commission declared it to be conceded by all candid and well-informed persons that the existing tax system was grossly inequitable and bore with crushing weight upon agriculture, a minority report by Mr. John A. Wright estimated that rural property, including farms, dwellings, stores and unimproved land, was assessed at not much more than one-third of its value, as compared with one-half to three-fourths in the

cities and boroughs.[1] The commission on valuation and taxation appointed by the Tax Conference undertook the difficult task of ascertaining the true value by sending its agents into the various counties (or in some cases employing local clerical assistance) to examine the records of real estate transfers and compare the selling prices with the assessed valuations of the same property in 1892. Excluding sales made for nominal considerations and other cases in which it was impossible to make a true comparison between selling value and assessment, the investigation covered all other recorded sales made during the first six or nine months of 1892, and in some cases during the whole of both 1891 and 1892, the aim being to secure a sufficient number in each county to make the result representative of the county as a whole. The total number of sales included in the calculation was 27,574, or an average of 411 to a county; in Philadelphia 6897 were taken, and the smallest number in any county was 43. The results showed that acre property was assessed on an average at 57.1 per cent of its value, and town lots at 62.8 per cent of their value; or, classifying the sales by minor civil divisions and weighting the averages according to the total assessed valuation of each division, the percentages obtained were 64.2 per cent for the cities, 57.2 per cent for the boroughs and 61.8 per cent for the townships, or rural districts. While these figures show that Mr. Wright's estimate for the country was much too low, unless a very marked increase of assessments or depreciation of property had taken place in the mean time, they appear to confirm his general conclusion that the farmers were not unfairly taxed; but they also indicate that the greatest discrepancy between values and assessments was neither in the country nor in the large cities, but in the boroughs, or smaller towns and villages.[2]

But these general averages really have little practical significance, because in Pennsylvania the tax on real estate is not a

[1] Report of the Commission Appointed to Prepare a Revenue Law (Official Document No. 26, 1891), pp. 6, 58.

[2] Selling Price, Assessed Valuation and Taxation of Real Estate in Pennsylvania, pp. 1–9.

state tax, and it is therefore not a state problem that is here investigated, but sixty-seven distinct county problems. The important question in each county is: What property escapes taxation to the greatest extent in this county? The important question in a general view is: In how many counties is agricultural property assessed higher than city property, and in how many is the reverse true? It by no means follows from the general averages that the advantage they show in favor of the country holds true in all parts of the state, or even in a majority of the counties; for the averages may be unduly affected by abnormally great discriminations one way or the other in certain counties, which in this case have only a local significance. As a matter of fact, a careful examination of the commission's published tables shows that the assessment of acres was higher than that of lots in forty counties, and lower in only twenty-seven counties; or, taking the figures by civil divisions, that the rural districts had assessments higher than those of either cities or boroughs in thirty-three counties, intermediate between them in nine counties (in six of which the lowest assessments were in the cities), and lower than either in only twenty-four counties. In this case the abnormal discrepancies which unduly affect the state averages and make them deceptive consist of much too low assessments of acre property in Philadelphia, and, to a less degree, in Allegheny County (where proximity to Pittsburg and Allegheny gives such property a speculative value) and in a few of the less important counties. Of the twenty-six counties containing in 1890 cities or boroughs of more than 8000 inhabitants, the assessments were higher on acre property than on lots in fourteen, showing an almost equal division among the urban counties, while of the forty-one remaining counties twenty-six had the higher assessments on acre property. The commission itself analyzed the table far enough to notice that several counties containing large cities were exceptions to the general rule; but it attempted to explain this fact by

the classification of property for taxation into "built up" or city, "rural" and "agricultural," the first being assessed for taxation at full value, the second at two-thirds and the last at one-half.

In point of law and of fact the discrimination here referred to between built up, suburban or rural, and agricultural property is a difference in the *rate* of taxation for local purposes in the cities of Philadelphia, Pittsburg and Allegheny, and should have no effect whatever upon the assessments. If there is a discrimination in favor of suburban and rural property in the assessments also, as the figures seem to indicate, it is entirely without authority of law.

At about the same time that this inquiry was being conducted by a commission of the Tax Conference, the Pennsylvania department of internal affairs undertook an independent investigation, similar in method and purpose, but covering only twenty-one counties, and hence of much less value than the unofficial study. Representatives of the department were sent to these counties to examine the records of sales and assessments. About one hundred sales were taken in each county, the exact numbers ranging from ninety-seven to one hundred and ten. None of the counties visited contained large cities, the largest being Williamsport, with a population of 27,132 in 1890, while others were agricultural counties having no important towns. The property for which figures were obtained was classified into farm lands, city and town lots, and "unseated lands"; but the number of sales of the last-named class was too small to warrant any general conclusion, even if it were desirable for our purpose. In a majority of cases the results differ from the comparisons made between acres and lots in the same counties by the voluntary organization, but the differences are in both directions, so that the final result is substantially similar — that is to say, the farms show higher assessments than town property in fourteen of the twenty-one counties. In this case, the general averages also show the towns to have the advantage, the ratio of assessments to selling value being 47.1 per cent for lots and 52.8 per cent for farms. The analysis published with the tables put less emphasis upon general comparisons than upon striking discrepancies between individual assessments. The latter were found to vary from three and one-third to 200 per cent of the

selling values, often having nearly as wide a range within a single county.[1]

The New York state assessors, in their reports for 1893–95, published the data collected by them during those years, consisting of comparisons between assessments and appraised values of selected property, and in many cases between assessments and actual selling values, in all but five counties of the state. The percentages were not worked out — or, at any rate, were not published — and the columns were not even added; but a calculation based upon the printed figures shows that the farms were assessed on an average at 82 per cent of their value, while the percentage for city and village real estate was only 63. Taking the rural counties alone, the percentages are 84.5 for farms and 79.2 for village property; indicating that both kinds of real estate, but especially the latter, were assessed higher in the country districts than in the urban counties. Altogether thirty-four counties show higher assessments on farms than elsewhere, and eighteen show higher averages for city and village property than for farms. The percentage obtained for New York County, based wholly upon sales, is 68.7; that for Kings County, based partly on sales and partly on estimates, is 79.2; both showing a ratio higher than the average for urban property, but lower than the average for farms. Queens County shows a percentage of only 4.7 for urban property, owing to the assessment of the Stewart property at Garden City at less than three per cent of its appraised value. A calculation based upon sales alone, in all the counties from which sales are reported, shows that the ratio of assessments to selling values is slightly higher in the cities and villages than on farms; but this result is easily traceable to the influence of New York and Kings counties, for more than two-thirds of the counties show the higher assessments on farms.

Three grades of farms are distinguished in the list of appraisals published, though not as a rule where sale values are given. By separating the comparisons for the three grades, it is found that the ratio of assessment to true value diminishes as the

[1] Annual Report of the Secretary of Internal Affairs of the Commonwealth of Pennsylvania, 1893, Part I, pp. A. 327–A. 425.

property increases in value — in other words, that the tax is regressive, at least as far as farming lands are concerned. Thus, not only are farms assessed higher than city and village property, but in general the highest assessments, relatively speaking, are on the poorest farms. And that the advantage of the cities is not confined to real estate assessments is indicated by the statement of the state board of tax commissioners, in reference to the increase of the personal property assessments in 1897, to the effect that

> the enforcement of the law resulting in such increase has, in many instances, caused added injustice to rural communities, where the burden of taxation has hitherto fallen most heavily.[1]

Almost the only other permanent fiscal board which has published any useful comparisons of this kind is the New Jersey state board of taxation, which in its first and second annual reports declared that agricultural lands were assessed higher or at more nearly their true value than any other class of property in the state, and gave several instances of assessments in excess of selling prices.[2] Again, in its report for 1897, after referring to the low assessments in many taxing districts, the board goes on to say that

> much of the agricultural land in the state has depreciated in value, so that the values and assessments are coincident. It is [a] fact, shown by the evidence produced before this board at the hearing of appeals, that the agricultural lands of New Jersey are assessed at substantially [their] true value. . . . The constitution of our state commands that "property shall be assessed for taxes under general laws and by uniform rules according to its true value." It would be untrue to say that this is done in any single taxing district of this state, with this exception perhaps, that farming properties in the counties of Warren, Sussex, Hunterdon, Burlington, Somerset and Salem generally are assessed at a valuation equal to what these properties would to-day bring in the open markets.[3]

[1] Report, 1897, p. 6.

[2] First Annual Report of the State Board of Taxation of the State of New Jersey, 1891, p. 62; Second Annual Report, 1892, pp. 40, 41.

[3] Seventh Annual Report, 1897, pp. 26, 27, 39, 40.

With reference to personal property, a member of the recent New Jersey tax commission, in a supplementary report, says that the assessors "appear to make no earnest or honest effort to reach it anywhere, except in the agricultural districts, and even there very imperfectly."[1] And the commission as a whole, after complaining that the assessors disregard the rule requiring assessments at full value and that they do not list all the intangible personality lawfully subject to taxation, adds that "this is noticeably so in the cities, more so than in the country districts."[2]

Assessments in the District of Columbia were investigated in 1892 by a special committee of the national House of Representatives. Witnesses were examined as to the value of thirty-nine squares and six parts of squares in the national capital, including both business and residence property, with the result that the assessments were found to average 47 per cent of the sworn values given by the witnesses. A classification of the property in question showed that that occupied wholly or chiefly by small homes was assessed much higher than business property in the centre of the city, averaging about 69 per cent. The nearest approach to a comparison between city and country by this committee was afforded by rough estimates for that part of the district outside of the city of Washington, consisting for the most part of suburban rather than agricultural property, which appeared to be assessed at less than one-tenth of the real value.[3] This committee also cited the constant falling off in the personal property assessments of the District as an example of the impossibility of enforcing a tax on personalty;[4] but nothing has come of its proposal that the attempt be discontinued.

Governor Foraker, of Ohio, in his message of 1887, called attention to a decline in the value of farms, and said that they were then assessed more nearly at their full money value than

[1] Report of the Commission Appointed by Governor Griggs to Investigate the Subject of Taxation in the State of New Jersey, 1897, p. 74.

[2] *Ibid.*, p. 11.

[3] Assessment of Taxes in the District of Columbia (52d Congress, 1st session, report No. 1469), pp. 17–19, 21.

[4] *Ibid.*, p. 5.

any other class of property in the state.[1] This discrepancy, however, seems to have been due largely to the Ohio system of decennial assessments, which always results in advantage to property which is increasing in value, at the expense of that which is depreciating; and to that extent the assessments may perhaps have been equalized for the time being by the new assessment and equalization in 1890, which reduced the average valuation of country real estate nearly five dollars an acre.

The statistical reports of the secretary of state of Ohio give the amount of acre property sold each year, and the aggregate selling value, by counties. This makes possible a comparison of assessments with selling values of such property in various parts of the state, though not a comparison between acres and city lots. The average assessed valuation of acre property in 1897 was a little less than three-fourths of the average selling value of that which changed hands during the second half of 1896 and the first half of 1897. This average ratio is lower than that between assessments and selling values of acre property in Hamilton and Franklin counties, in which Cincinnati and Columbus are situated, but very much higher than the corresponding ratio for acre property in the neighborhood of Cleveland. Thus, it seems that no generalizations are possible with respect to the present situation in Ohio, so far as real estate is concerned. With regard to personal property, we have not only the testimony of Professor Ely,[2] who, while serving on the Maryland tax commission, visited Ohio and found that the percentage of personalty taxed in the large cities was much less than in smaller places, but also the investigations of the Ohio tax commission of 1893,[3] which showed that a greater *per capita* amount of intangible property even was returned from agricultural districts than from the city counties, and that the now famous "tax-inquisitor" system was twice as heavy a burden in the country as in the principal urban counties. A similar showing was afterwards made by a committee of the Cleveland Chamber

[1] Ohio Executive Documents, Annual Reports for 1886, Part I, p. 747.

[2] Taxation in American States and Cities, p. 158.

[3] Report of the Tax Commission of Ohio, 1893, pp. 22–35.

of Commerce,[1] and again by Mr. E. A. Angell, a member of both committees.[2]

The recent Massachusetts tax commission found the taxes on land in many farming districts "excessively and unfairly heavy as compared with the taxes on real property in other parts of the Commonwealth." In a supplementary report, one member cites fourteen abandoned farms in one of the hill towns of western Massachusetts, all of which were sold within a few months at less than their assessed valuations. The average assessment of this property was $6.01 an acre, and the average price only $2.56 an acre. The commission also found that the forms of personal property most regularly and unfailingly taxed are live stock in farming towns, and ships and vessels.[3]

The assessment law of Wisconsin requires the register of deeds of each county to transmit annually to the secretary of state, and to the county clerk, a statement of all the sales of real estate recorded in the county during the year, except those made for nominal considerations and those in which the description does not substantially correspond with the description given on the assessment roll; and this statement is required to show the consideration and the assessment in each case. It is made the duty of each county clerk to have an abstract of the statement for his county printed and laid before the county board at its annual session, and the secretary of state is required to compile the results for the use of the state board of assessment. In many counties the law is habitually disregarded, but it is possible to obtain these statements or abstracts from about half the counties in the state. A compilation of these materials for the year 1896–97 shows that on an average city and village lots are assessed higher than acre property — at 47 per cent of the selling value as against 41.4 per cent. The higher assessments are in the cities and villages in twenty out of thirty-four counties. This is a very different

[1] Taxation, Report of Special Committee, 1895, pp. 7, 8.

[2] "The Tax Inquisitor System in Ohio," *Yale Review*, V, 350 (February, 1897).

[3] Report of the Commission appointed to Inquire into the Expediency of Revising and Amending the Laws of the Commonwealth Relating to Taxation, 1897, pp. 30, 51, 126, 127.

showing from that made by the other states thus far considered; but, on the other hand, Professor Ely found that in Wisconsin, as elsewhere, personal property escaped taxation more in the large cities than in the country.[1] It seems, therefore, that here the inequalities of the taxes on real estate and on personal property tend to counterbalance each other.

The California board of equalization, in its report for 1885 and 1886, stated that in San Francisco mortgages were given for $6,575,998 on property assessed at only $5,161,630, and that property which was sold for $8,150,475 in the aggregate was assessed for only $4,503,054; but no corresponding data were given for the remainder of the state. Six years later, when the equalization was criticised, the board explained that sales, mortgages and appraisals of estates had been used as aids to personal observation, but made public none of its data.[2] Professor Plehn's monograph on *The General Property Tax in California* is almost as unsatisfactory for our purpose. The author shows that the *per capita* assessment of real estate in 1892 was $644 in the cities and towns, and $963 in the country. He then admits that the average California farmer has probably about three hundred dollars' worth more real estate than the average townsman, in view of the greater number of the propertyless in cities, but doubts whether he is that much better able to pay taxes. He also attempts a comparison between the assessments of rural and urban real estate in 1890 and 1891, and the values of farms and other real estate according to the census; and he comes to the conclusion that farms were assessed at from 62 to 66 per cent of their value, and city real estate at only 54 or 55 per cent of its value. But in this comparison, even assuming for a moment the correctness of the census figures, there is an important error for which no correction is made: the assessed valuation of all the acre property in the state is compared with the census figure for farms alone, and the assessed valuation of town and city lots alone is compared with the difference

[1] *Op. cit.*, p. 172.

[2] Report of the State Board of Equalization for 1885 and 1886, p. 4; Report for 1891 and 1892, p. 5.

between the census estimate for all real estate taxed and the value of farms — that is to say, no allowance is made for property which consists neither of farms nor of town lots. The result is that, in working the percentages, the dividend is too large for the divisor used in the first case and too small in the second. There are also some minor errors in the calculation. This careless use of figures may easily account for the difference in the percentages obtained, and so as regards California real estate we are no wiser than before. But Professor Plehn tells us that the difference in the tax on real estate

> shrinks into ridiculous insignificance when compared with the injustice which arises from the evasion of taxation by personal property owners. This again adds peculiarly to the burden upon the farmer, the bulk of whose personal property consists of visible tangible implements, stock, and household goods, nearly all of which are assessed at above 50 per cent of their true value.

It appears that one-fourth of all the personalty assessed in the state consists of farming stock and utensils; and Professor Plehn estimates that, at the average rate of taxation for state purposes, the average farmer pays about seventeen cents more on each one hundred dollars' worth of property owned than does the average townsman.[1]

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[1] Economic Studies, II, 163–169.